MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2215)

BBF2144 – BANKS, FINANCIAL MARKETS AND INSTITUTIONS

(All Sections/Groups)

22 FEBRUARY 2023
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 4 pages with 4 Questions.
2. Attempt all **FOUR** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) Pooled fund approach is one of the deposit pricing methods. This approach is used to determine CBA bank's cost of funds by looking at the future. To cover the cost of all new funds raised, CBA bank needs to calculate the minimum return that this bank will earn on any future loans and securities.

Type	Amount (mil.)	Interest Cost	Reserve Requirement
Checkable	RM110	9%	14%
Time and savings	168	10.5	7
Money market	60	10	3
Equity	50	12	0
Total	RM388		

Given a list of deposits above, and their associated amount, interest cost and reserve requirement, calculate the minimum rate of return of CBA bank.

(8 marks)

(b) Treasury bill is a short-term money market instrument. By issuing T-bills in the money market, the treasury meets their short-term cash flow needs. Financial institutions and businesses invest in T-bills as an alternative to holding idle cash balances. As an investor, you purchase a 210-day T-bill for RM5,880 and it pays RM6,000 at maturity.

(i) Calculate annualized discount rate in percentage.

(5 marks)

(ii) Calculate annualized investment rate in percentage.

(5 marks)

(c) As a bond analyst, calculate the duration of a bond with RM800 par value and a 4 percent coupon rate, three years remaining to maturity and a 4.46 percent yield to maturity.

(7 marks)

(Total: 25 marks)

Continued ...

QUESTION 2

(a) There are usually four different methods for valuing stock. TENAGA (i.e., a listed stock in Bursa Malaysia) declares an expected dividend of RM0.12. The price of this stock in next year is expected to be RM32 with a discount rate of 11.2%. The industry PE ratio of this stock is 18. The firm also disclosed their earnings RM1.20/share.

(i) Calculate the price of TENAGA using one period valuation method.

(5 marks)

(ii) Calculate the price of TENAGA using price-to-earnings method.

(5 marks)

(b) Assume two mortgage options are available to you: one is a 30-year fixed-rate loan at 6% with no discount points and the other is a 30-year fixed-rate loan at 5.75% with points. You wish to borrow RM100,000 as a mortgage and plan to live in the house for 12 years. Calculate PMT for both options and explain which option you should choose.

(7 marks)

(c) A financial analyst has calculated the interest sensitive GAP of Public Bank is −RM40 million and the size of this banking institution (measured by total assets) is RM220 million. Based on Public bank's balance sheet, it is identified that the interest sensitive assets are RM120 million, and interest sensitive liabilities are RM231 million.

(i) Calculate relative interest sensitive GAP ratio and interpret the results.

(4 marks)

(ii) Calculate interest sensitivity ratio and interpret the results.

(4 marks)

(Total: 25 marks)

Continued ...

QUESTION 3

(a) Bright Star National Bank's Tier 1 capital is 6.5 million. Tier 2 capital is 5.9 million. The risk-weighted assets of the bank is 147.14 million. Under the terms of the Basel I agreement:

(i) Calculate the bank's ratio of Tier 1 capital-to-risk-weighted assets.

(3 marks)

(ii) Calculate the bank's total capital-to-risk-weighted assets.

(3 marks)

(b) Discuss the disadvantages of 'loan-to-deposit ratio' for liquidity management.

(4 marks)

(c) Discuss the following terms:

(i) 'Base Rate'

(5 marks)

(ii) 'Kuala Lumpur Interbank Offered Rate (KLIBOR)'

(5 marks)

(iii) 'Overnight Policy Rate'

(5 marks)

(Total: 25 marks)

Continued ...

QUESTION 4

(a) Discuss the revenue model of peer-to-peer (P2P) lending platform.

(6 marks)

(b) Discuss **FIVE (5)** benefits of crowdfunding.

(15 marks)

(c) Define 'proof-of-stake (POS)' in blockchain.

(4 marks)

(Total: 25 marks)

End of Paper